



A STUDY ON THE EFFECT OF GOVERNMENT SCHEMES ON STARTUP ECO SYSTEM IN INDIA

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ABSTRACT

In recent years, startups have gained significant prominence in the business world, with their numbers steadily increasing. This growth is fostered by comprehensive support mechanisms aimed at facilitating their development across various dimensions. Recognizing the transformational role startups play in driving innovation and economic progress, the Indian government has enhanced its efforts to foster a conducive environment for entrepreneurship. Through specific policies and schemes, the government aims to cultivate an ecosystem that promotes innovation, spurs economic development, and enhances employment opportunities. With this background, the study is explored to understand the current startup eco system in India and make an overview of the government's schemes for startups by evaluating their effectiveness and examining the current startup ecosystem in India.

KEYWORDS: Startups, Government Schemes, Startup Ecosystem

1. INTRODUCTION

In recent years, startups have gained significant prominence in the business world, with their numbers steadily increasing. This growth is fostered by comprehensive support mechanisms aimed at facilitating their development across various dimensions. Recognizing the transformational role startups play in driving innovation and economic progress, the Indian government has enhanced its efforts to foster a conducive environment for entrepreneurship. Through specific policies and schemes, the government aims to cultivate an ecosystem that promotes innovation, spurs economic development, and enhances employment opportunities. Key initiatives such as the Startup India program, the Fund of Funds Scheme, and the Atal Innovation Mission have been instrumental in nurturing and promoting startups. These schemes have significantly improved the ease of doing business by simplifying regulatory processes, providing financial assistance, and offering infrastructural support. Despite challenges like securing funding from the ideation to maturity stages, accessing a skilled talent pool, and ensuring adequate infrastructure, these government-led initiatives have substantially bolstered the startup sector. The Hon'ble Prime Minister of India, Shri Narendra Modi, announced the launch of "Startup India, Standup India" initiative on 15th August 2015. The Initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive to growth of Startups. Further to this, an Action Plan for Startup India Initiative was unveiled by the Hon'ble Prime Minister of India on 16th January 2016. The initiative strives to provide a long-due impetus to the entrepreneurial setup in economic landscape of India (startup India). Further, through the various other innovative schemes such as Mudra Yojana, Atal Innovation Mission, ASPIRE, Fund of Fund Scheme Government is striving to create a youthful

entrepreneurial society.

2. REVIEW OF LITERATURE

Upon reviewing the existing literature, it is evident that while comprehensive studies on India's startup ecosystem are abundant, focused research on government programs specifically associated with the Startup India initiative remains limited. Some studies have begun to address this gap by examining the impact of government schemes. The article on the Startup India Government Scheme provides an in-depth overview of various government initiatives designed to support and nurture startups across India. These programs, announced by the Government of India (GOI), provides wide benefits for startups to fostering innovation, access to funding, and regulatory processes simplification to reachout budding entrepreneurs. international patent right, stand up India, single point registration scheme, extra mural research funding, high risk high reward research scheme, Pradhanamantri Mudra Yojana, sustainable finance scheme, bridge loan scheme, Aspire – A scheme for promotion of Innovation, Rural Industries and Entrepreneurship etc., are implemented by Indian government to benefits the business starter, to implicate Government stands with every new startup entrepreneur.

Lakshya Choudhary, Kriti Taparia, Abhishek Pandey, Anurag Kakkar (2021) The study examines on the prevailing startup ecosystem in India during 2021. This research reflects on the Startups contribution to the developing economy and the study analysis the growth, expansion, geographical distribution and the challenges of the startup eco system. The study provides better understanding of the government initiatives for startup support and the unicorn status during 2021.

Dharish David, Sasidaran Gopalan, and Suma Ramachandran(2020) The author makes an reflective analysis of the Indian startup environment. The study highlighted on the steady growth of startup in India with the emergence of Unicorns in 2014-15 period and Subsequent increase of private investment and venture funds in India and globally. This study also provides data on various government programmes initiated for startups and new emerging business.

Another article India Today (2016) Startup India reviews PM Modi's action plan, the action plan consists of 19 pillaric support of startup India has initiated. by GOI to inspire and motivate young youths to think and rethink on the new direction to start new innovative startups and make themselves self- employed.

Ajay Sharma, Ritu, Navneet Rawat (2023), the study makes critical analyses of various startup schemes supporting startup initiative in in fostering innovation and entrepreneurship in India, through quantitative method by collecting data from 320 respondents. Schemes are creating positive impact on startup eco system and further need to address challenges in sector wise to the specific needs of startups.

3. OBJECTIVES OF THE STUDY

1. To make an overview of the startup eco system in India.
2. To understand about the prevailing government schemes and its effectiveness for startups growth in the country.

4. RESEARCH QUESTION

1. What is the status of startup ecosystem scenario in India?
2. What specific government schemes are announced by government that startups can avail ?

5. STATEMENT OF THE PROBLEM

Indian economy with diverse sector is developing fast and leading next to China. More than fifty percent of the Indian population depending on agriculture as their source of income and for livelihood. The government targeting to create over one million jobs annually. The startup enterprises are the supportive pillars for the economy building in which more employment generated as the startups grow. Startup entrepreneurs looks for innovation and competitive dynamics in the business world. As startups are impacting positive vibe on the Indian economy, Government of India has taken steps to encourage people to initiate new innovative startup ideas to boost the Indian economy and GDP in the coming decade. In this aspects, Government of India has taken several initiative policies and action plans to support the startups and spread the startup culture across the country. The research study encompasses to understand the startup ecosystem and the effectiveness of the government

6. RESEARCH METHODOLOGY

6.1 Research Design: A descriptive research design considered for the study is relied on the qualitative information to analyze the benefits of government schemes on Startups in India.

6.2. Data Collection: The data for the study is collected through secondary source such as journals, academic articles,

government reports. Startup India website.

6.3 Data Analysis: The collected secondary source of data is arranged systematically to examine the effectiveness of these government startup schemes.

7. DEFINITION OF STARTUP

Definition of Startup defined by DPIIT under the Ministry of Commerce and Industry, In this notification,- (a) An entity shall be considered as a Startup. (I) Upto a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.

(II) Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees. (III). Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation. If an entity formed by splitting up or reconstruction of an existing, business shall not be considered a Startup.

8. STARTUP ECO-SYSTEM SCENARIO

A startup ecosystem consists of individuals, businesses in various stages, and different types of organizations that collaborate to build new startup businesses in a certain area (physical or virtual). Startup ecosystems also described as a certain type of network inside geographical locations that affects how startups are formed and performed. Different organizations often concentrate on particular functions of the ecosystem or startups at particular stages of growth. Universities, financing organisations, support organisations (such as incubators, accelerators, co-working spaces, etc.), research organisations, service provider organisations (such as legal, financial services, etc.) are the different organization do exist and support for the existence of the startups. India has been strongly working towards building its startup ecosystem during the last 10 years, with the government and private sector both working forward to create a conducive environment for entrepreneurs. As a result, India has emerged as the 3rd largest ecosystem for startups globally as on 2023. India is witnessing 12 to 15 percent growth year on year and ranks 2nd in innovation with highest positions in the quality of scientific publications, quality of universities among middle-income economies. India is also witnessing for the present existence of 90000 startups and 108 unicorn with total valuation of 340 billion. One 97 Communications (PayTM), Ola cabs, Dream 11, Swiggy, and Razor pay are a few of the rich valued Indian startups across the world. Among states, Karnataka and Gujarat is emerged as top performers in Indian startups.

9. STARTUP SCHEMES

Government has been initiating various schemes and programmes to promote innovation and motivate young youths to get inspired and move to look ahead to convert thoughtfulness

ideas as startup reality.

Some initiated schemes and its effectiveness discussed below

9.1 Startup India Initiative: Launched on 16th January, 2016, it has rolled out several programs with the objective of supporting entrepreneurs, building a robust startup ecosystem and transforming India into a country of job creators instead of job seekers. As of till the year 2022 the total startups got recognised as per DPIIT report shows the excellent progress in the recognition status In India.

Year	No of Start-ups recognized by DPIIT
2016	452
2017	5147
2018	8689
2019	11328
2020	14534
2021	20,089
2022	23,773

Source: DPIIT report

Table 1: Year wise recognition of startups by DPIIT

9.2 Startup India Seed Fund Scheme (SISFS): The Startup India Seed Fund Scheme (SISFS), launched on April 19, 2021, by the Department for Promotion of Industry and Internal Trade (DPIIT), aims to provide financial assistance to early-stage startups for proof of concept, prototype development, product trials, market entry, and commercialization. Under this scheme, eligible startups can receive Up to Rs.20 lakhs as a grant for validation of proof of concept, prototype development, or product trials. Up to Rs.50 lakhs of investment for market entry, commercialization, or scaling up through convertible debentures or debt-linked instruments. The seed fund is disbursed to startups through selected incubators across India. Each selected incubator can receive a grant of up to Rs.5 crore, provided in milestone-based installments.

This initiative is designed to help startups bridge the gap in early-stage funding, enabling them to reach a level where they can attract inve

Name of the scheme	Total Fund Allotted (in Crores)	Total Fund Utilized (in Crores)
SIFFS	477.25	211.63

Table 2: Details of the amount allocated and utilized as on 31st December 2022

Financial Year	No of Startups given financial assistance under FFS
2020-21	304
2021-22	352

Source: <https://pqals.nic.in/annex/1710/AU2508.pdf>

Table 3: Year-wise list of startups supported under SISFS

9.3 Fund of Funds for Startups (FFS) Scheme: The Government of India launched the Fund of Funds for Startups (FFS) in June 2016 as part of the Startup India initiative, with a total corpus of Rs.10,000 crore. The objective of this scheme is to assist startups through funding by contributions to SEBI-registered Alternative Investment Funds (AIFs), which AIFs invest in startups. The Department for Promotion of Industry and Internal Trade (DPIIT) serves as the monitoring agency, while the Small Industries Development Bank of India (SIDBI) operates the scheme.

Financial Year	No of Startups given financial assistance under FFS
2016-17	62
2017-18	58
2018-19	98
2019-20	120
2020-21	86
2021-22	156
2022-23 (up to Nov 2023)	196

Source: <https://pqals.nic.in/annex/1710/AU2508.pdf>

Table 4: Startups Financed under FFS

9.4 AIM: In the year 2016, the Government of India's announced a flagship program, the Atal Innovation Mission (AIM), aims to foster an innovative and entrepreneurial culture throughout the nation. In order to achieve this, AIM has adopted a comprehensive strategy to guarantee the development of a creative, problem-solving attitude in schools and an entrepreneurial ecosystem in colleges, research institutions, private and MSME sector. Some important programmes initiated under this scheme are Atal incubation centre, Atal tinkering labs, Atal new India challenge, Arise Anic challenge, Mentor of change etc.,

9.5 PMMY: The Pradhan Mantri Mudra Yojana scheme was introduced in 2015 with the intention of giving small business owners access to loans to small entrepreneurs up to Rs 10 lakh and also act as a regulatory body for Micro Finance Institutions. Mudra Yojana aims to reach out young educated, skilled workers, entrepreneurs including women entrepreneurs. The loan are accessible in three categories Shishu, Kishore and Tarun to evidence the growth and funding needs of the entrepreneur units. Below table showing figures is an evidence to the amount of loan sanctioned from the year 2016 to 2023.

9.5 Below table showing figures is an evidence to the amount of loan sanctioned from the year 2016 to 2023.

Year	No of Loans Sanctioned (in cr.)	Amount Sanctioned (Rs. Lakh crore)
2015-16	3.49	1.37
2016-17	3.97	1.80
2017-18	4.81	2.54
2018-19	5.98	3.22
2019-20	6.22	3.37
2020-21	5.07	3.22

2021-22	5.37	3.39
2022-23 (as on 24.03.2023)	5.88	4.32
Total	40.82	23.2

Source: <https://pib.gov.in/PressReleasePage.aspx?PRID=1914739>

Table 5: Statement showing the Year-wise the sanction amount

9.6 Credit Guarantee Scheme for Start-ups (CGSS): This scheme is initiated by government to provide credit guarantees up to a certain limit against loans made by Member Institutions (MIs) to finance qualified borrowers, specifically Startups as defined in the Gazette Notification published by the Department for Promotion of Industry and Internal Trade (DPIIT) and amended from time to time. The CGSS scheme will provide credit guarantees up to INR 10 Cr against startup loans issued by lending institutions. With this scheme, the government aims to provide the said credit guarantee (for startups) to lending institutions including banks, financial institutions, NBFCs and AIFs.

State/UT	Number of Guarantees	Amount of Guarantee Issued (Rs. Crore)
Delhi	1	1.80
Haryana	4	10.30
Kerala	1	4.00
Madhya Pradesh	1	0.30
Maharashtra	1	4.00
Uttar Pradesh	2	10.00
Total	10	30.40

Source: <https://pib.gov.in/PressReleasePage.aspx?PRID=1945152>

Table 6: Details of the State/UT-wise guarantees issued under CGSS

9.7. ASPIRE: The Ministry of Micro, Small, and Medium Enterprises introduced a programme called ASPIRE. A Scheme for Promotion of Innovation, Rural Industries, and Entrepreneurship (ASPIRE) supports the establishment of a network of technology centres and incubation centres to foster startups for innovation in the agro-industry and to speed up entrepreneurship. To establish Livelihood Business Incubators (LBI) or Technology Business Incubators (TBI), ASPIRE offers financial assistance. ASPIRE scheme aims to promote innovations, promote entrepreneurship, create jobs to reduce unemployment and grassroot the economic development at district level.

10. FINDINGS OF THE STUDY

As per the data under startup India scheme, the Department for Promotion of Industry and Internal Trade (DPIIT) report declares an increase in startup registration, from 452 to 23,773. The allotted Startup India Seed Fund is not fully utilized. Under FFS scheme there is an average growth in assistance of finance for startup. During 2016-17, the fund assistance is given to 62 startup and in 2022-23, it has benefited to 196 startup. The CGSS scheme, which provide credit, guarantees up to INR 10

Cr, against startup loans issued by lending institutions. The data set reveals that the number of guarantees is 10 and the amount sanction is 30.4 million which is not satisfactory. The PMMY aims to provide credit facilities up to 10 lakh, the analysis shows decline in the number of loan sanctioned from 2016 to 2023 is 40.82 crores to 23.2 crores.

11. CONCLUSION

India's startup ecosystem exhibits significant regional diversity, with each city offering unique regulatory frameworks, investment climates, and sectoral strengths. More than half of India's startups now originate from smaller cities, indicating a broadening of the entrepreneurial landscape. This expansion contributes to sustainable economic growth and the creation of large-scale employment opportunities nationwide. Government initiatives have been instrumental in nurturing this dynamic ecosystem. Programs like the Startup India Action Plan, Pradhan Mantri Mudra Yojana (PMMY), ASPIRE, and the Fund of Funds for Startups (FFS) provide comprehensive support, including funding, mentorship, and policy incentives. These schemes aim to foster innovation, promote entrepreneurship among youth, and facilitate the growth of startups across various stages.

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